

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

JAMES TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2007

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
James Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of James Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise James Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

June 12, 2007

BASIC FINANCIAL STATEMENTS

JAMES TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2007

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
Assets:			
Cash and cash equivalents	\$ 1,600,332	\$ 980,870	\$ 2,581,202
Receivables	47,330	36,282	83,612
Prepaid expenses	8,944	-	8,944
Investment in joint venture	-	51,126	51,126
Capital assets:			
Nondepreciable capital assets	25,870	-	25,870
Depreciable capital assets, net	<u>595,827</u>	<u>186,202</u>	<u>782,029</u>
Total assets	<u>2,278,303</u>	<u>1,254,480</u>	<u>3,532,783</u>
Liabilities:			
Accounts payable and accrued expenses	26,732	16,512	43,244
Long-term liabilities:			
Due within one year	13,941	-	13,941
Due in more than one year	<u>71,352</u>	<u>-</u>	<u>71,352</u>
Total liabilities	<u>112,025</u>	<u>16,512</u>	<u>128,537</u>
Net assets:			
Invested in capital assets, net of related debt	536,404	186,202	722,606
Restricted for:			
Investment in joint venture	-	51,126	51,126
Unrestricted	<u>1,629,874</u>	<u>1,000,640</u>	<u>2,630,514</u>
Total net assets	<u>\$ 2,166,278</u>	<u>\$ 1,237,968</u>	<u>\$ 3,404,246</u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<i>Governmental activities:</i>					
General government	\$ 127,454	\$ 12,041	\$ 2,583	\$ -	\$ (112,830)
Public safety	91,161	9,170	-	5,316	(76,675)
Public works	194,727	99,750	3,913	-	(91,064)
Community and economic development	9,232	865	-	-	(8,367)
Recreation and culture	11,065	-	-	-	(11,065)
Interest on long-term debt	4,143	-	-	-	(4,143)
Total governmental activities	<u>\$ 437,782</u>	<u>\$ 121,826</u>	<u>\$ 6,496</u>	<u>\$ 5,316</u>	<u>\$ (304,144)</u>
<i>Business-type activities:</i>					
Water	\$ 208,688	\$ 215,409	\$ -	\$ -	\$ 6,721
Total business-type activities	<u>\$ 208,688</u>	<u>\$ 215,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,721</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (304,144)	\$ 6,721	\$ (297,423)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	58,288	-	58,288
Property taxes, levied for fire protection	47,660	-	47,660
Grants and contributions not restricted to specific programs	133,263	-	133,263
Unrestricted investment earnings	63,065	43,890	106,955
Miscellaneous	1,560	-	1,560
Total general revenues	303,836	43,890	347,726
Change in net assets	(308)	50,611	50,303
Net assets, beginning of year	2,166,586	1,187,357	3,353,943
Net assets, end of year	\$ 2,166,278	\$ 1,237,968	\$ 3,404,246

JAMES TOWNSHIP

GOVERNMENTAL FUND

BALANCE SHEET

March 31, 2007

	<i>General Fund</i>
Assets:	
Cash and cash equivalents	\$ 1,600,332
Taxes receivable	7,088
Accounts receivable	18,578
Due from other governmental units	21,664
Prepaid expenditures	<u>8,944</u>
Total assets	<u><u>\$ 1,656,606</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 11,843
Accrued expenses	11,588
Deposits payable	<u>3,301</u>
Total liabilities	<u>26,732</u>
Fund balance:	
Reserved for:	
Prepaid expenditures	8,944
Unreserved:	
General fund	<u>1,620,930</u>
Total fund balance	<u>1,629,874</u>
Total liabilities and fund balance	<u><u>\$ 1,656,606</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2007

Total fund balances for governmental funds \$ 1,629,874

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,259,718	
Less accumulated depreciation	<u>(638,021)</u>	621,697

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Contracts payable	<u>(85,293)</u>
-------------------	-----------------

Net assets of governmental activities \$ 2,166,278

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	<i>General Fund</i>
Revenues:	
Property taxes	\$ 105,948
Licenses and permits	9,135
Federal grants	5,316
State grants	137,760
Charges for services	100,615
Fines and forfeits	175
Interest and rents	74,540
Other revenue	3,985
Total revenues	<u>437,474</u>
Expenditures:	
Current	
General government	117,832
Public safety	54,633
Public works	194,727
Community and economic development	9,232
Recreation and culture	10,495
Other	554
Capital outlay	8,629
Debt service	
Principal	13,272
Interest and fees	4,143
Total expenditures	<u>413,517</u>
Net change in fund balance	23,957
Fund balance, beginning of year	<u>1,605,917</u>
Fund balance, end of year	<u><u>\$ 1,629,874</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

Net change in fund balances - total governmental funds \$ 23,957

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	4,591	
Less depreciation expense	<u>(42,128)</u>	(37,537)

Repayments of principal on long-term obligations are expenditures in
governmental funds but the payments reduce long-term liabilities in the
statement of net assets.

13,272

Change in net assets of governmental activities \$ (308)

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUND

STATEMENT OF NET ASSETS

March 31, 2007

	<i>Water Fund</i>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 980,870
Accounts receivable	<u>36,282</u>
Total current assets	<u>1,017,152</u>
<i>Noncurrent assets:</i>	
Investment in joint venture	51,126
Capital assets:	
Depreciable capital assets, net	<u>186,202</u>
Total noncurrent assets	<u>237,328</u>
Total assets	<u>1,254,480</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable	6,712
Accrued expenses	<u>9,800</u>
Total current liabilities	<u>16,512</u>
Total liabilities	<u>16,512</u>
Net assets:	
Invested in capital assets, net of related debt	186,202
Restricted for:	
Investment in joint venture	51,126
Unrestricted	<u>1,000,640</u>
Total net assets	<u>\$ 1,237,968</u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUND
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Year Ended March 31, 2007

	<i><u>Water Fund</u></i>
Operating revenues:	
Charges for services	\$ 211,809
Connection charges	<u>3,600</u>
Total operating revenues	<u>215,409</u>
Operating expenses:	
Personnel	58,800
Fringe benefits	4,552
Supplies	1,549
Contracted services	1,895
Purchase of water	84,283
Telephone	741
Dues, licenses and permits	150
Insurance	4,500
Repairs and maintenance	11,726
Other services and supplies	16,898
Depreciation	<u>23,594</u>
Total operating expenses	<u>208,688</u>
Operating income (loss)	<u>6,721</u>
Non-operating revenues (expenses):	
Interest income	<u>43,890</u>
Total non-operating revenues (expenses)	<u>43,890</u>
Net income (loss)	50,611
Net assets, beginning of year	<u>1,187,357</u>
Net assets, end of year	<u><u>\$ 1,237,968</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

Year Ended March 31, 2007

	<i><u>Water Fund</u></i>
Cash flows from operating activities:	
Receipts from customers	\$ 213,257
Payments to employees	(58,800)
Payments to suppliers	<u>(128,744)</u>
Net cash provided by operating activities	<u>25,713</u>
Cash flows from investing activities:	
Interest	<u>43,890</u>
Net cash provided by investing activities	<u>43,890</u>
Net increase in cash and cash equivalents	69,603
Cash and cash equivalents, beginning of year	<u>911,267</u>
Cash and cash equivalents, end of year	<u><u>\$ 980,870</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 6,721
Adjustments:	
Depreciation	23,594
Change in assets and liabilities:	
Accounts receivable	(2,152)
Accounts payable	(2,391)
Accrued expenses	<u>(59)</u>
Net cash provided by operating activities	<u><u>\$ 25,713</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2007

	<i>Agency Fund</i>
Assets:	
Cash and cash equivalents	\$ 9,458
Total assets	<u>\$ 9,458</u>
Liabilities:	
Accounts payable	\$ 9,458
Total liabilities	<u>\$ 9,458</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of James Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Venture – The Township is a member of an intergovernmental agreement to operate a joint water authority with Swan Creek Township and the Township of St. Charles. The Township appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three and one third percent.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Township reports the following major enterprise fund:

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-40 years
Equipment	5-15 years
Furniture and equipment	5-10 years
Site improvements	20 years
Vehicles	20 years

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2006 taxable valuation of the Township totaled \$48,864,757 on which ad valorem taxes levied consisted of .9006 mills for the Township's operating purposes and .9874 mills for fire.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2006	\$ -
Current year building permit revenue	8,995
Related expenditures:	
Direct costs	<u>11,894</u>
Cumulative surplus at March 31, 2007	<u>\$ -</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,529,077 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$305,121 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2007.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<i>April 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2007</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 25,870	\$ -	\$ -	\$ 25,870
Depreciable capital assets:				
Buildings and improvements	391,159	-	-	391,159
Equipment	285,499	4,591	-	290,090
Furniture and equipment	51,199	-	-	51,199
Site improvements	4,500	-	-	4,500
Vehicles	496,900	-	-	496,900
Total depreciable capital assets	1,229,257	4,591	-	1,233,848
Accumulated depreciation	(595,893)	(42,128)	-	(638,021)
Depreciable capital assets, net	633,364	(37,537)	-	595,827
Governmental activities, capital assets, net	\$ 659,234	\$ (37,537)	\$ -	\$ 621,697
	<i>April 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2007</i>
Business-type activities:				
Depreciable capital assets				
Buildings and improvements	\$ 80,867	\$ -	\$ -	\$ 80,867
Equipment	17,536	-	-	17,536
Distribution system	818,804	-	-	818,804
Total depreciable capital assets	917,207	-	-	917,207
Accumulated depreciation	(707,411)	(23,594)	-	(731,005)
Depreciable capital assets, net	209,796	(23,594)	-	186,202
Business-type activities, capital assets, net	\$ 209,796	\$ (23,594)	\$ -	\$ 186,202

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Depreciation expense was charged to functions as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
General government	\$ 8,358	\$ -
Public safety	33,200	-
Recreation and culture	570	-
Water	-	23,594
Total	<u>\$ 42,128</u>	<u>\$ 23,594</u>

NOTE 5: LONG-TERM LIABILITIES

The Township has an installment contract with Community State Bank outstanding as of March 31, 2007 that was used for the purchase of equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2007 consisted of the following:

<i><u>Types of Indebtedness</u></i>	<i><u>Maturity</u></i>	<i><u>Interest Rate</u></i>	<i><u>Annual Principal Installments</u></i>	<i><u>Original Loan Amount</u></i>	<i><u>Outstanding at Year-End</u></i>
<u>Governmental Activities</u>					
<i>General Obligation Bonds:</i>					
2002 Loan - Installment Contract	9/30/12	4.4%	\$8,855-16,626	\$ 140,451	\$ 85,293

The following is a summary of long-term liabilities transactions for the year ended March 31, 2007:

	<i><u>April 1, 2006</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31, 2007</u></i>	<i><u>Due Within One Year</u></i>
<u>Governmental Activities:</u>					
<i>General Obligation Bonds:</i>					
2002 Loan	\$ 98,565	\$ -	\$ (13,272)	\$ 85,293	\$ 13,941
Total governmental activities					
- long-term liabilities	<u>\$ 98,565</u>	<u>\$ -</u>	<u>\$ (13,272)</u>	<u>\$ 85,293</u>	<u>\$ 13,941</u>

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 13,941	\$ 3,474	\$ 17,415
2009	14,567	2,848	17,415
2010	15,221	2,194	17,415
2011	15,904	1,511	17,415
2012	16,618	797	17,415
2013	9,042	121	9,163
	<u>\$ 85,293</u>	<u>\$ 10,945</u>	<u>\$ 96,238</u>

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental</i> <i>Activities</i>	<i>Business-Type</i> <i>Activities</i>
Receivables:		
Property taxes	\$ 7,088	\$ -
Accounts	18,578	36,282
Intergovernmental	21,664	-
Total receivables	<u>\$ 47,330</u>	<u>\$ 36,282</u>
Accounts payable and accrued expenses:		
Accounts	\$ 11,843	\$ 6,712
Payroll and related liabilities	11,588	9,800
Deposits payable	3,301	-
Total accounts payable and accrued expenses	<u>\$ 26,732</u>	<u>\$ 16,512</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances at March 31, 2007.

There were no interfund transfers during the fiscal year.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Township contributes to the James Township Group Pension Plan, which is a defined contribution pension plan. The Plan is administered by the James Township Board.

Under the pension plan, all employees and elected officials are eligible to participate in the plan. Plan provisions are established and may be amended by the Township Board.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that might be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 1 year of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 7.5% of the employee's base salary. Employees are required to contribute 7.5% of their base annual salary. Contribution requirements are established and may be amended by the Township Board.

During the plan year, the Township's required and actual contributions amounted to \$19,289 and the employees required and actual contributions amounted to \$19,289.

Post Employment Benefits:

The Township has no post employment benefits.

Deferred Compensation Plan:

The Township has no deferred compensation plan.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

REQUIRED SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 97,000	\$ 97,000	\$ 105,948	\$ 8,948
Licenses and permits	17,220	17,220	9,135	(8,085)
Federal grants	-	-	5,316	5,316
State grants	135,700	135,700	137,760	2,060
Charges for services	100,400	100,400	100,615	215
Fines and forfeits	50	50	175	125
Interest and rents	11,700	11,700	74,540	62,840
Other revenue	800	800	3,985	3,185
Total revenues	362,870	362,870	437,474	74,604
Expenditures:				
Current				
General government	144,410	141,430	117,832	(23,598)
Public safety	65,310	65,310	54,633	(10,677)
Public works	233,400	236,325	194,727	(41,598)
Community and economic development	30,315	30,315	9,232	(21,083)
Recreation and culture	12,000	12,000	10,495	(1,505)
Other	500	555	554	(1)
Capital outlay	14,500	14,500	8,629	(5,871)
Debt service				
Principal	12,235	13,272	13,272	-
Interest and fees	5,180	4,143	4,143	-
Total expenditures	517,850	517,850	413,517	(104,333)
Net change in fund balance	(154,980)	(154,980)	23,957	178,937
Fund balance, beginning of year	1,605,917	1,605,917	1,605,917	-
Fund balance, end of year	\$ 1,450,937	\$ 1,450,937	\$ 1,629,874	\$ 178,937

OTHER SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2007

Current Taxes:

Property taxes	\$ 91,150
Administration fees	14,798
	<u>105,948</u>

Licenses and permits:

Business licenses and permits	140
Nonbusiness licenses and permits	8,995
	<u>9,135</u>

Federal grants:

Fire	<u>5,316</u>
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State Grants:

Summer tax collection reimbursement	2,583
State revenue sharing - sales tax	133,263
Other	1,914
	<u>137,760</u>

Charges for services:

Refuse collection fees	99,750
Zoning fees	865
	<u>100,615</u>

Fines and forfeits:

Ordinance fines	<u>175</u>
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Interest and rents:

Interest	63,065
Rents	11,475
	<u>74,540</u>

Other Revenue:

Special assessments	1,999
Reimbursements	1,560
Other	426
	<u>3,985</u>

Total revenues	<u><u>\$ 437,474</u></u>
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JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2007

General Government:

Board:

Personnel	\$ 11,660
Fringe benefits	999
Supplies	2,423
Dues and memberships	979
Education, training and conferences	2,293
Printing and publications	66
Insurance	1,533
Other	396
	<u>20,349</u>

Supervisor:

Personnel	10,800
Fringe benefits	810
Mileage	20
Education, training and conferences	93
	<u>11,723</u>

Clerk:

Personnel	10,320
Fringe benefits	774
Dues and memberships	25
Education, training and conferences	1,274
	<u>12,393</u>

Audit:

Contracted services	<u>3,375</u>
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Board of Review:

Personnel	1,125
Fringe benefits	84
Education, training and conferences	388
Printing and publications	455
	<u>2,052</u>

Treasurer:

Personnel	11,520
Fringe benefits	864
Dues and memberships	50
Education, training and conferences	1,523
	<u>13,957</u>

Assessor:

Supplies	1,762
Contracted services	16,692
Printing and publications	419
	<u>18,873</u>

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2007

General Government, continued:

Elections:

Supplies	697
Contracted services	2,140
Education, training and conferences	184
Printing and publications	125
Other	54
	<u>3,200</u>

Building and Grounds:

Personnel	4,956
Fringe benefits	372
Supplies	1,194
Telephone	2,808
Insurance	2,400
Utilities	9,998
Repairs and maintenance	8,287
	<u>30,015</u>

Attorney:

Contracted services	<u>91</u>
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Cemetery:

Contracted services	<u>200</u>
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Other:

Other	<u>1,604</u>
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Total general government	<u>117,832</u>
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Public Safety:

Liquor Law Enforcement:

Personnel	648
Fringe benefits	49
	<u>697</u>

Fire:

Personnel	4,800
Fringe benefits	360
Supplies	1,620
Contracted services	8,000
Telephone	3,230
Mileage	136
Dues and memberships	270
Education, training and conferences	195
Insurance	11,658
Utilities	6,530
Repairs and maintenance	4,011
Other	1,232
	<u>42,042</u>

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2007

Public Safety, continued:

Building Inspection:

Personnel	4,800
Fringe benefits	360
Supplies	58
Contracted services	6,475
Dues and memberships	100
Education, training and conferences	101
	<u>11,894</u>
Total public safety	<u>54,633</u>

Public Works:

Drains:

Contracted services	<u>17,824</u>
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Roads:

Contracted services	<u>84,227</u>
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Street Lighting:

Utilities	<u>3,495</u>
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Refuse:

Contracted services	<u>89,181</u>
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Total public works	<u>194,727</u>
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Community and Economic Development:

Planning:

Personnel	4,225
Fringe benefits	317
Supplies	39
Contracted services	1,910
Dues and memberships	960
Education, training and conferences	165
Printing and publications	132
	<u>7,748</u>

Zoning:

Personnel	1,295
Fringe benefits	97
Printing and publications	92
	<u>1,484</u>

Total community and economic development	<u>9,232</u>
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JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2007

Recreation and Culture:

Parks and Recreation:

Personnel	3,605
Fringe benefits	271
Insurance	1,292
Repairs and maintenance	2,930
Other	2,397
	<u>10,495</u>

Other:

Payroll taxes	<u>554</u>
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Capital Outlay:

General government	710
Public safety	7,919
	<u>8,629</u>

Debt Service:

Principal	13,272
Interest and fees	4,143
	<u>17,415</u>

Total expenditures	<u>\$ 413,517</u>
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JAMES TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2007

	<u><i>April 1, 2006</i></u>	<u><i>Additions</i></u>	<u><i>Deductions</i></u>	<u><i>March 31, 2007</i></u>
<u>Tax Collection Fund</u>				
Assets:				
Cash and cash equivalents	\$ 414,449	\$ 1,449,857	\$ 1,854,848	\$ 9,458
Total assets	<u>\$ 414,449</u>	<u>\$ 1,449,857</u>	<u>\$ 1,854,848</u>	<u>\$ 9,458</u>
Liabilities:				
Accounts payable	\$ 70,764	\$ 223,213	\$ 284,519	\$ 9,458
Due to other governmental units	<u>343,685</u>	<u>1,226,644</u>	<u>1,570,329</u>	<u>-</u>
Total liabilities	<u>\$ 414,449</u>	<u>\$ 1,449,857</u>	<u>\$ 1,854,848</u>	<u>\$ 9,458</u>

JAMES TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2007

2002 INSTALLMENT CONTRACT

Issue dated September 17, 2002 in the amount of	\$	140,451
Less:		
Principal paid in prior years		(41,886)
Principal paid in current year		<u>(13,272)</u>
Balance payable at March 31, 2007	\$	<u>85,293</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i>	<i><u>Interest due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2008	4.40%	\$ 13,941	\$ 3,474	\$ 17,415
2009	4.40%	14,567	2,848	17,415
2010	4.40%	15,221	2,194	17,415
2011	4.40%	15,904	1,511	17,415
2012	4.40%	16,618	797	17,415
2013	4.40%	<u>9,042</u>	<u>121</u>	<u>9,163</u>
		<u>\$ 85,293</u>	<u>\$ 10,945</u>	<u>\$ 96,238</u>